



April 24, 2007

**H.R. 1591 Conference Report – U.S. Troop Readiness, Veterans' Health, and Iraq Accountability Act of 2007**

**Floor Situation**

The Conference Report to H.R. 1591 is debatable for one hour equally divided and controlled by the Chairman and the Ranking Member of the Committee on Appropriations and is being considered on the floor under a closed rule.

**The Rule:**

- Waives all points of order against the conference report and against its consideration
- Provides that the conference report shall be considered as read

The original bill, H.R. 1591, was introduced by Representative David Obey (D-WI) on March 20, 2007, was passed by the House of Representatives by a vote of 218 - 212 on March 23, 2007; and was passed by the Senate by a vote of 51 - 47 on March 29, 2007.

*\*Note: House passage of H.R. 1591 included only 2 Republican votes in favor of the legislation.*

**Background**

In February, along with the release of the President's budget for FY 2008, the Administration released its FY 2007 supplemental request. The President's request called for \$93.4 billion in emergency supplemental appropriations for the Global War on Terror (GWOT) and a total of \$103 billion. \$70 billion was provided for the GWOT in the FY 2007 Defense Appropriations bill (P.L. 109-289).

On March 15, 2007, the House Appropriations Committee held a markup and approved the House version of the supplemental (HR 1591) by a vote of 36 to 28. HR 1591 included language that would set a timetable for withdrawal of the troops from Iraq and contained numerous provisions that were non-emergency funding for programs unrelated to the Global War on Terrorism, such as \$25 million for spinach producers, \$100 million for citrus, \$400 million for LIHEAP, and \$5 million for aquaculture. While the Conference Report removed some of the controversial spending provisions, many of the

provisions remain as does a modified version of the timetable for withdrawal. HR 1591 passed on March 29, 2007 by a vote of 218 to 212, 1 present (Roll Call Vote 186).

The Senate passed their amended version of HR 1591 on March 29, 2007 by a vote of 51 to 47. This legislation also included numerous spending provisions that were unrelated to countering the militant Islamist threat and unnecessarily designated as emergency spending. Furthermore, the Senate bill also included language that would provide a timetable for withdrawal from Iraq.

The Conference Report accelerates the timetable by which American troops would withdraw from Iraq and imposes funding and tactical restrictions on our commanders on the ground and our troops in the field. Both the National Intelligence Estimate and the Iraq Study Group have laid out why legislating a date certain for surrender is detrimental to our troops' efforts in Iraq.

The bill requires the President to provide a determination by July 1, 2007, on whether the Government of Iraq is making progress on certain political and security criteria. If the President fails to make any of these determinations, U.S. troops will begin withdrawing from Iraq no later than July 1, 2007, with a goal of completing the withdrawal within 180 days.

Even if the President certifies that the Iraqi Government is making progress, U.S. troops will begin withdrawing by October 1, 2007, with a goal of completing the withdrawal within 180 days.

#### **Withdrawal Start Date with Positive Certification**

Conference Report: October 1, 2007  
House-passed version: March 1, 2008  
Senate-passed version: October 1, 2007

#### **Withdrawal Start Date with Negative Certification**

Conference Report: July 1, 2007  
House-passed version: October 1, 2007  
Senate-passed version: October 1, 2007

#### **Complete Withdrawal Goal**

Conference Report: April 1, 2008  
House-passed version: August 31, 2008  
Senate-passed version: March 31, 2008

Funding for the President's request, House passed version, Senate-passed version and the Conference report are as follows:

President	House	Senate	Conference Report
\$103 billion	\$124.3 billion	\$122.8 billion	\$124.1 billion

As a result of the timetables and the extra spending, the President opposed both versions of the supplemental and will veto the bill.

#### President's Request

The Administration's request called for:

➤ **Operations:** \$39.3 billion

Incremental pay and benefits for 320,000 military personnel, military operations, and subsistence and logistics support.

➤ **Force Protection:** \$8 billion

Body armor, aircraft survivability components, command and control equipment, radios, and night vision equipment.

➤ **Improvised Explosive Device (IED) Defeat:** \$2.4 billion

Provides funding for devices designed to counter IEDs.

➤ **Military Intelligence:** \$2.7 billion

This funds among other things: Airborne ISR, All-Source Intelligence Analysis, and Counterintelligence.

➤ **Iraq Security Forces:** \$3.8 billion

Logistics capability and equipment, infrastructure and sustainment of ground forces, Air Force (12 counter insurgency aircraft, 8 trainers and sustainment), Navy (41 boats and support infrastructure), and National Police capabilities.

➤ **Afghan Security Forces:** \$5.9 billion

Funding to build the Afghan National Army and the Afghan National Police, expanding training and equipping of Afghan forces from 112,000 to 152,000.

➤ **Coalition Support:** \$1 billion

Funds airlift and support and military capacity building for coalition partners.

➤ **Commander's Emergency Response Program:** \$500 million

Provides ground commanders with funds for humanitarian relief and reconstruction for schools, power lines and generators, health care centers, and civic and cultural facilities.

➤ **Military Reconstruction:** \$1.1 billion

Operational facilities in Iraq and Afghanistan, roads and bridges, basic infrastructure, force protection enhancement, and support facilities.

➤ **Regional War on Terror:** \$300 million

Funds counterterrorism efforts outside Iraq and Afghanistan

➤ **Reconstitution:** \$13.9 billion

Equipment replacements, repair of tanks, vehicles, aircraft and communication systems, replenishment of munitions, and rapid acquisition fund.

➤ **U.S. Forces “Plus Up”:** \$5.6 billion

Increases five Brigade Combat teams, to consist of approximately 21,500 troops, in Iraq to support the Iraqi government’s security efforts.

➤ **Accelerate Brigade Combat Teams/ Establish Regimental Combat Team:** \$3.6 billion

Funding to accelerate transition of 2 Army Brigade Combat Teams and establishes 3 new Marine Corps battalions to form the 9th Regimental Combat Team.

➤ **Grow the Force:** \$1.7 billion

Construction and other infrastructure improvements to support the growing force and to provide the equipment for the new forces.

➤ **Non-DOD Classified:** \$3.6 billion

On March 9, 2007, the Office of Management and Budget (OMB) released its updated supplemental request which reallocates \$3.2 billion within the original request. The revised request calls for:

- An additional \$769 million for Operations and Personnel for additional support to deployed Brigade Combat Teams.
- An additional \$1.5 billion for equipment, including \$500 million for Mine Resistant Ambush Protected vehicles.
- An additional \$150 million for Provincial Reconstruction Teams. This funding is to cover the costs of secure transportation and force protection of the new Provincial Reconstruction Teams being established in Iraq.

- An additional \$100 million for State-Owned Enterprises (factory restarts) to help re-start state-owned factories.
- An additional \$510 million to cover the costs for combat soldiers and trainers for combat operations in Afghanistan.
- An additional \$110 million to support Pakistan's efforts in the War on Terrorism.
- An additional \$50 million for a medical care fund for returning GWOT service members.

These amendments do not increase the amount of the total request, but instead offset the cost by lowering the requested amounts for other items within the original request.

## **Summary**

# **Title I: Supplemental Appropriations for the Global War on Terror**

## Department of Agriculture (USDA)

- PL 480 Title II Grants: \$460 million (House bill: \$450 million)
- Reimbursement of the Commodity Credit Corporation: \$40,000,000

## Legal Activities (DOJ)

- Salaries and Expenses: \$1,648,000

## United States Attorneys (DOJ)

- Salaries and Expenses: \$5 million

## United States Marshals Service (DOJ)

- Salaries and Expenses: \$6.45 million (\$2.75 million in the House bill)

## National Security Division (DOJ)

- Salaries and Expenses: \$1,736,000

## Federal Bureau of Investigation (DOJ)

- Salaries and Expenses: \$268,000,000 (\$118,260,000 in the House bill)

\*Note: \$258 million is required to remain available until September 30, 2008 and \$10 million is required to be used to implement the findings and recommendations of the DOJ IG report entitled: “A Review of the Federal Bureau of Investigation’s Use of National Security Letters.”

#### Drug Enforcement Administration (DOJ)

- Salaries and Expenses: \$12,166,000 (\$8,468,000 in the House bill)

#### Bureau of Alcohol, Tobacco, Firearms and Explosives (DOJ)

- Salaries and Expenses: \$4 million

#### Federal Prison System (DOJ)

- Salaries and Expenses: \$17 million

#### Military Personnel (DOD)

President	House	Senate	Conference Report
\$12.3 billion	\$13.5 billion	\$13.4 billion	\$13.5 billion

- Army: \$8,853,350,000 (House passed: \$8,878,899,000)

The President’s request (as amended) included \$8,510,270,000

- Navy: \$1,100,410,000

The President’s request included \$692,127,000

- Marine Corps: \$1,495,827,000 (House passed: \$1,495,828,000)

The President’s request included \$1,386,871,000

- Air Force: \$1,218,587,000 (House passed: \$1,229,334,000)

The President’s request (as amended) included \$1,101,287,000

- Army Reserve: \$147,244,000 (House passed :\$173,244,000)

The President’s request included \$147,244,000

- Navy Reserve: \$86,023,000 (House passed: \$82,800,000)

The President's request included \$72,800,000

- Marine Corps Reserve: \$5,660,000 (House passed: \$15,000,000)

The President's request included \$0

- Air Force Reserve: \$11,573,000 (House passed: \$14,100,000)

The President's request included \$3,000,000

- Army National Guard: \$545,286,000

The President's request included \$436,025,000

- Air Force National Guard: \$44,033,000 (House passed: \$24,600,000)

The President's request included \$0

#### Operation and Maintenance (DOD)

In accordance with Section 1315 of this legislation, no more than 85% of these funds may be used until the Secretary of Defense submits a report to Congress detailing the use of DOD funded service contracts conducted in theater of operations in support of U.S. military and reconstruction activities in Iraq and Afghanistan, including the number of contractor personnel.

President	House	Senate	Conference Report
\$50.2 billion	\$52.4 billion	\$48.7 billion	\$50.4 billion

\*Note: \$456,400,000 maybe used from this account to fund the Commander's Emergency Response Program.

- Army: \$20,373,379,000 (House passed: \$20,897,672,000)

The President's request (as amended) included \$20,423,379,000

- Navy: \$4,676,670,000 (House passed: \$5,115,397,000)

This provision allows up to \$120,293,000 to be transferred to Coast Guard "Operating expenses."

The President's request (as amended) included \$5,040,482,000

- Marine Corps: \$1,146,594,000 (House passed: \$1,503,694,000)

The President's request included \$1,401,594,000

- Air Force: \$6,650,881,000 (House passed: \$6,909,259,000)

The President's request (as amended) included \$7,035,881,000

- Defense-Wide: \$2,714,487,000 (House passed: \$2,855,993,000)

\$25,000 may be used for the Combatant Commander Initiative Fund and \$200,000,000 may be used for payments to reimburse Pakistan, Jordan, and other key cooperating nations for logistical, military and other support provided to U.S. military operations.

The President's request (as amended) included \$3,279,307,000

- Army Reserve: \$74,049,000

The President's request included \$74,049,000

- Navy Reserve: \$111,066,000

The President's request included \$111,066,000

- Marine Corps Reserve: \$13,591,000

The President's request included \$13,591,000

- Air Force Reserve: \$10,160,000

The President's request included \$10,160,000

- Army National Guard: \$83,569,000 (House passed: \$133,569,000)

The President's request included \$83,569,000

- Air National Guard: \$38,429,000

The President's request included \$38,429,000

## Funds

- Afghanistan Security Forces Fund (DOD): \$5,906,400,000

The President's request included: \$5,906,400,000

\*Note: Supervision and administration costs may be obligated at the time a construction contract is awarded.

- Iraq Security Forces Fund (DOD): \$3,842,300,000

Up to \$155,500,000 may be used to provide assistance to support the disarmament, demobilization and reintegration of militias and illegal armed groups.

\*Note: Supervision and administration costs may be obligated at the time a construction contract is awarded.

The President's request included \$3,842,300,000

- Iraq Freedom Fund (DOD): \$355,600,000 (House passed: \$155,600,000)

Up to \$50 million may be used for the Task Force to Improve Business and Stability Operations in Iraq.

The President's request (as amended) included \$565,600,000

- Joint Improved Explosive Device Defeat Fund (DOD): \$2,432,800,000

The President's request included \$2,432,800,000

- Strategic Reserve Readiness Fund (DOD): \$2,000,000,000 (House bill: 2,500,000,000)

\$1 million of these funds shall be transferred to National Guard and Reserve Equipment and \$1 million shall be transferred to the Secretary of Defense for military personnel, operation and maintenance, procurement and defense working capital funds.

The President's request included \$0

Procurement (DOD):

President	House	Senate	Conference Report
\$24,816,494,000	\$21,813,673,000	\$24,507,633,000	\$25,592,224,000

- Aircraft, Army: \$619,750,000 (House bill: \$461,850,000)

The President's request included \$627,750,000

- Missile, Army: \$111,473,000 (House bill: \$160,173,000)

The President's request included \$160,173,000

- Weapons and Tracked Combat Vehicles, Army: \$3,404,315,000 (House bill: \$3,474,389,000)

The President's request (as amended) included \$3,502,315,000

- Ammunition, Army: \$681,500,000

The President's request included \$681,500,000

- Other, Army: \$11,076,137,000 (House bill: \$10,197,399,000)

The President's request (as amended) included \$10,946,687,000

- Aircraft, Navy: \$1,090,287,000 (House bill: \$995,797,000)

The President's request (as amended) included \$730,713,000

- Weapons, Navy: \$163,813,000 (House bill: \$171,813,000)

The President's request included \$171,813,000

- Ammunition, Navy and Marines: \$159,833,000

The President's request included \$159,833,000

- Other, Navy: \$748,749,000 (House bill: \$937,407,000)

The President's request (as amended) included \$745,425,000

- Procurement, Marine Corps: \$2,252,749,000 (House bill: \$1,885,383,000)

The President's request (as amended) included \$2,055,715,000

- Aircraft, Air Force: \$2,106,468,000 (House bill: \$2,474,916,000)

The President's request (as amended) included \$1,726,336,000

- Missile, Air Force: \$94,900,000 (House bill: \$140,300,000)

The President's request included \$140,300,000

- Ammunition, Air Force: \$6,000,000 (House bill: \$6 million)

The President's request included \$95,800,000

- Other, Air Force: \$2,096,200,000 (House bill: \$2,042,183,000)

The President's request included \$2,092,754,000

- Defense-Wide: \$980,050,000 (House bill:\$934,930,000)

The President's request included \$979,380,000

Research, Development, Test and Evaluation (DOD):

President	House	Senate	Conference Report
\$1.447 billion	\$1.035 billion	\$1.190 billion	\$1.098 billion

- Army: \$100,006,000 (House bill: \$60,781,000)

The President's request included \$115,976,000

- Navy: \$298,722,000 (House bill: \$295,737,000)

The President's request included \$460,175,000

- Air force: \$187,176,000 (House bill: \$132,928,000)

The President's request included \$220,721,000

- Defense-Wide: \$512,804,000 (House bill: \$545,904,000)

The President's request included \$650,864,000

Revolving and Management Funds (DOD):

President	House	Senate	Conference Report
\$1.32 billion	\$1.32 billion	\$1.32 billion	\$1.32 billion

- Defense Working Capital Funds: \$1,315,526,000

The President's request included \$1,315,526,000

- National Defense Sealift Fund: \$5,000,000

The President request included \$5,000,000

Other DOD Programs

This section of the bill does not include \$50,000,000 for the Medical Support Fund included in the President's request.

- Defense Health Program: \$3,251,853,000 (The House bill included \$2,789,703,000 and the President's request included \$1.073 billion.)

Of these funds, \$2,802,153,000 is required to be used for operation and maintenance, including \$600,000,000 for the treatment of Traumatic Brain Injury and Post Traumatic Stress Disorder.

- Drug Interdiction and Counter-Drug Activities (Defense): \$254,665,000 million (House bill and the President's request: \$259,115,000 )

No more than \$60 million may be used for Pakistan and Afghanistan and the funds may be spent in addition to support provided by the individual governments.

#### Related Agencies

- Intelligence Community Management Account: \$71,726,000 (House bill: \$57,426,000)

The President's request included \$66,789,000 million.

#### National Nuclear Nonproliferation (DOE)

- Defense Nuclear Nonproliferation: \$150,000,000
- Allows the Administrator of the National Nuclear Security Administration to transfer \$1 million for the purposes of travel expenditures supporting nuclear nonproliferation activities.

#### Departmental Management and Operations (DHS)

- Analysis and Operations: \$15,000,000 (House bill:\$35,000,000)

#### Customs and Border Protection (DHS)

- Salaries and Expenses: \$115,000,000 (House bill: \$100,000,000)

Bill language requires these funds to be used to increase the number of inspectors, intelligence analysts and support staff responsible for container inspection. Additionally, up to \$5,000,000 is required to be transferred to Salaries and Expenses for the Federal Law Enforcement Training Center

- Air and Marine Interdiction, Operations, Maintenance and Procurement: \$120,000,000 (House bill: \$150,000,000)
- U.S. Immigration and Customs Enforcement (salaries and expenses): \$10,000,000

#### Transportation Security Administration (DHS)

- Aviation Security: \$970,000,000 (House bill: \$1,250,000,000)

Requires \$815 million for procurement of checked baggage explosives detection systems (\$45 million shall be for expansion of checkpoint explosives detection pilot systems and \$110 million shall be for air cargo security)

- Federal Air Marshals: \$8,000,000 (House bill: \$0)

#### National Protection and Programs (DHS)

- Infrastructure Protection and Information Security: \$37,000,000 (House bill: \$25,000,000)
- Office of Health Affairs for nuclear event public health: \$15,000,000

#### Federal Emergency Management Agency (DHS)

- Salaries and Expenses: \$25,000,000
- State and Local Programs: \$552,500,000 (House bill: \$415,000,000)

\$190,000,000 of these funds shall be used for port security grants, \$325,000,000 shall be used for intercity rail passenger transportation, freight rail, and transit security grants, \$35 million for high risk urban areas and \$2.5 million for technical assistance.

- Emergency Management Performance Grants: \$100,000,000

#### Domestic Nuclear Detection Office (DHS)

- Systems Acquisition: \$223,500,000
- Research and Development: \$39,000,000

#### United States Citizenship and Immigrations Services

- \$10,000,000 (House bill: \$0)

## Science and Technology

- Research, development, acquisition and operations for air cargo security:  
\$10,000,000

## Additional Legislative Provisions

- Prohibits the funding from being used to carry out Section 872 of PL 107-296, which allows the Secretary of DHS to “allocate or reallocate functions among the officers of the Department, and may establish, consolidate, alter, or discontinue organizational units within the Department”
- Requires the Secretary of DHS to link award fees to successful acquisition outcomes on all contracts that provide award fees.
- Allows the transfer of \$3.5 billion within the Department of Defense. The Secretary is required to notify Congress promptly upon each transfer.
- Prohibits funds in the bill to be used to finance programs denied by Congress in fiscal years 2006 or 2007.
- Prohibits funds from being used to establish a permanent military installation for the purpose of stationing United States Armed Forces in Iraq.
- Prohibits funds from being used to exercise United States control over any oil resource in Iraq.
- Prohibits funding to be used in contravention to torture laws enacted
- Requires the Secretary of Defense to report to Congressional Committees on the “individual transition readiness assessments by unit of Iraq and Afghan security forces.”
- Requires the Director of the Office of Management and Budget to submit a report to congressional committees on the proposed use of funds within the Iraq Security Forces Fund and Afghanistan Security Forces Fund.
- Amends the FY 2007 Defense Appropriations bill (PL 109-289) to allow funding to purchase 287 light and heavy armored vehicles for force protection.

\*Note: Current law allows the funds to purchase 20 vehicles.

- Requires the Secretary of Defense to inspect within 180 days each military treatment facility, military housing for medical hold personnel and military housing for medical holdover personnel to ensure the facilities meet acceptable standards. If deficiencies are found, the commander of the facility shall submit a

plan to correct the deficiency and the facility shall be re-inspected within 180 days.

- Provides \$750,000 from appropriated funds to commission a private sector entity, which is a 501(c)(3), to provide a report on (1) the readiness of the Iraqi Security Forces (ISF), the (2) training, equipping, command, control and intelligence capabilities of the ISF, (3) and the likelihood that the continued support of U.S. troops will contribute to the readiness of the ISF to fulfill its mission. The report shall be completed within 120 days.
- Provides a Medal of Honor to Woodrow W. Keeble for Valor during the Korean War and waives any applicable time limitations.

#### House of Representatives (Leg. Branch)

- Salaries and Expenses, Allowances and Expenses: \$6,437,000

These funds are for business continuity and disaster recovery.

- Government Accountability Office: \$374,000 (House bill: \$0)

#### Military Construction (DOD)

President	House	Senate	Conference Report
\$1.73 billion	\$1.77 billion	\$1.64 billion	\$1.67 billion

- Army: \$1,255,890,000 (House bill: \$1,329,240,000)

The President's request (as amended) included \$1,289,290,000

- Navy and Marine Corps: \$370,990,000 (House bill: \$389,300,000)

The President's request (as amended) includes \$390,500,000.

- Air Force: \$43,300,000 (House bill: \$60,200,000)

The President's request includes \$60,200,000

- Department of Defense Base Closure Account of 2005: \$3,136,802,000 (House bill: \$3,136,802,000)

The President's request includes \$0

### Administration of Foreign Affairs (DOS)

- Diplomatic and Consular Programs: \$870,658,000 (House bill: \$966,954,000)
- Office of Inspector General: \$36,500,000 (House bill: \$46,800,000)

Requires the transfer of \$35 million to the IG for Iraq Reconstruction

- Educational and Cultural Exchange Programs: \$20,000,000

### International Organizations (DOS)

- Contributions for International Peacekeeping Activities: \$288,000,000
- Contributions for International Organizations: \$50,000,000

### Related Agency

- Broadcasting Board of Governors, International Broadcasting Operations: \$10,000,000

These funds are for broadcasting activities in the Middle East

### United States Agency for International Development

- Child Survival and Health Programs Fund: \$161,000,000
- International Disaster and Famine Assistance: \$165,000,000 (House bill: \$135,000,000)
- Operating Expenses: \$8,700,000 (House bill: \$10,700,000)
- Operating Expenses, Inspector General: \$3,500,000

### Bilateral Economic Assistance

- Economic support Fund: \$2,649,300,000

Allows the transfer of \$110 million to the Economic Support Fund for programs in Pakistan. Transfers may come from Personnel accounts for the Army and National Guard. Also, no funds may be made available to Lebanon until the Secretary of State reports to Congress on Lebanon's economic reform plan and progress on the benchmarks that have been agreed upon by the U.S. and Lebanon.

Funds for debt restructuring may be used to assist Liberia in retiring its debt.

Funds cannot be used for the Government of Pakistan until the Secretary of State submits a report to Congress on the oversight mechanisms, performance benchmarks and implementation processes for the funds.

- Democracy Fund: \$260,000,000 (House bill: \$0)
- Assistance for Eastern Europe and the Baltic States: \$229,000,000 (House bill: \$239,000,000)

#### Department of State

- International Narcotics Control and Law Enforcement: \$257,000,000

Prohibits funding for military or police assistance to Lebanon until the Secretary of State submits a report to Congress on procedures established to determine eligibility of members and units of the armed forces and police forces of Lebanon.

- Migration and Refugee Assistance: \$130,500,000 (House bill: \$111,500,000)  
\$5 million shall be made available to rescue Iraqi scholars
- U.S. Emergency Refugee and Migration Assistance Fund: \$55,000,000 (House bill: \$35,000,000)
- Nonproliferation, Antiterrorism, Demining and Related Programs: \$57,500,000 (House bill: \$87,500,000)

#### Department of Treasury

- International Affairs Technical Assistance: \$2,750,000

#### Military Assistance (DOS)

- Foreign Military Financing Program: \$265,000,000 (House bill: \$260,000,000)
- Peacekeeping Operations: \$230,000,000 (House bill: \$225,000,000)

#### Coordinator for Iraq Assistance

- The President shall appoint a Coordinator for Iraq Assistance (who shall be confirmed by the Senate and have the rank of Ambassador)

- The Coordinator shall be responsible for coordinating a strategy for Iraqi assistance, working with the Government of Iraq to meet the benchmarks, coordinating with other donors providing assistance to Iraq, ensuring the appropriate management of programs in Iraq, resolving agency disputes, and coordinating assistance programs with the reconstruction programs funded by Iraq

### Withdrawal

Requires the President to transmit determinations to Congress (on or before July 1, 2007) on whether the Government of Iraq is meeting the following benchmarks (which are identical to the benchmarks included in the House-passed version):

- giving U.S. Armed Forces and Iraqi Security Forces the authority to pursue all extremists
- making progress in delivering Iraqi Security Forces for Baghdad
- intensifying efforts to build balanced security forces throughout Iraq
- ensuring Iraq's political authorities are not undermining or making false accusations against members of the Iraqi Security Forces
- eliminating militia control of local security
- ensuring fair and just enforcement of laws
- developing committees in support of the Baghdad Security Plan
- making substantial progress in meeting its commitment to pursue reconciliation initiatives (including the enactment of a hydro-carbon law, adoption of legislation necessary for the conduct of provincial and local elections, reform of current laws governing the de-Baathification process, amendment of the Constitution and allocation of Iraqi revenues for reconstruction projects)
- making substantial progress with the United States in reducing the level of sectarian violence in Iraq

Once withdrawn, U.S. forces can only be used for the following missions:

- protecting U.S. personnel and facilities
- serving customary diplomatic functions
- engaging in limited actions against al-Qaeda and other terrorist organizations
- training and equipping the Iraqi Security Forces

The Conference Report includes House-passed language restricting funding for deployment of U.S. troops in Iraq unless they meet certain readiness standards prior to deployment – although the president is provided the authority to waive the restrictions.

#### Fully Mission Capable Requirement

- Maintains that DOD policy is that units should not be deployed for combat unless they are rated “fully mission capable.” Prohibits funds from being spent unless the chief of the appropriate military department certifies in writing to the Appropriations Committee - at least 15 days prior to deployment - that the unit is “fully mission capable.”

The President may waive this requirement if he certifies in writing to the Appropriations Committees and the Armed Services Committees that the unit is required for national security reasons, along with a classified and unclassified report on why the unit is necessary despite not being “fully mission capable.”

\*Note: “fully mission capable” is defined as: capable of performing assigned mission essential tasks to prescribed standards under the conditions expected in the theater of operations, consistent with the guidelines set forth in the DOD readiness reporting system.

#### Limitation of Deployment Requirement

- Maintains that DOD policy is that Army, Army Reserve and National Guard units should not be deployed beyond 365 days or that Marine Corps and Marine Corps Reserve units should not be deployed for combat beyond 210 days.

The President may waive this requirement if he certifies in writing to the Appropriations Committees and the Armed Services Committees that deployment to Iraq beyond these periods is required for national security reasons (along with a classified and unclassified report on why the unit’s deployment is necessary).

#### Prohibition on Redeployments

- Maintains that DOD policy is Army, Army Reserve, and National Guard Units should not be redeployed for combat if the unit has been deployed within the previous 365 consecutive days or that Marine Corps and Marine Corps Reserve units should not be redeployed within the previous 210 days.

The President may waive this requirement if he certifies in writing to the Appropriations Committees and the Armed Services Committees that redeployment is required for national security reasons (along with a classified and unclassified report on why the unit’s redeployment is necessary).

### Additional Provisions

- Assistance to Iraq: 50 percent of certain assistance funding for Iraq would be withheld until the President certifies that the benchmarks are being met.
- Beginning on September 1, 2007, and every 60 days thereafter, the Commander of Multi-National Forces-Iraq and the U.S. Ambassador to Iraq shall submit a joint report on the progress the Iraqi Government is making towards the benchmarks.

### Walter Reed Closure

- Prevents Walter Reed Army Medical Center from being closed down as part of the BRAC process until equivalent facilities are available at Bethesda Naval Medical Center or Fort Belvoir Community Hospital and requires Walter Reed to be adequately funded to maintain the maximum level of inpatient and outpatient services.

## **Title II: Additional Hurricane Disaster Relief and Recovery**

### Department of Agriculture

Emergency Conservation Reserve Program: \$115,000,000 (House bill: \$0)

\*Note: Livestock Assistance (\$25 million), citrus assistance (\$100 million) and irrigated crop assistance (\$15 million) was included in the House passed legislation, but was not included in the Conference Report.

### Department of Commerce

- National Oceanic and Atmospheric Administration (NOAA) Operations, Research and Facilities: \$110,000,000 (House bill include \$120 million)

These funds shall be used for expenses related to the consequences of Hurricanes Katrina and Rita on the shrimp and fishing industries.

### Department of Justice

- State and local law enforcement assistance: \$50,000,000 (House bill: \$0)

### National Aeronautics and Space Administration

- Exploration Capabilities: \$35,000,000

### Department of Defense – Civil Department of the Army

- Construction: \$25,300,000 (House bill: \$37,080,000)
- Flood Control and Coastal Emergencies: \$1,407,000,000 (House bill: \$1,300,000,000)

The chief of Engineers shall provide a monthly report to Congress on the allocation and obligation of these funds.

### Small Business Administration

- Disaster Loans Program Account: \$25,069,000

### Federal Emergency Management Agency (DHS)

- Disaster Relief: \$4,610,000,000 (House bill: \$4,310,000,000)

Removes the non-federal share requirements of the Stafford Act for Louisiana, Mississippi, Florida and Texas for assistance relating to Hurricane Katrina and Rita.

### Department of Education

- Hurricane Education Recovery: \$30,000,000 (House bill: \$0)
- Expands the authorization of PL 109-148 (Section 102(d)) to provide funding for recruiting and compensating principals, teachers and other school administrators for position in reopening public elementary and secondary schools impacted by Hurricanes Katrina and Rita. Additionally, that State, along with local interests, shall develop a rating system for performance bonuses. If one is not developed, the State shall notify Congress and establish the rating system.
- Higher Education: \$30,000,000

These funds shall be used to help defray the costs of institutions of higher education that were forced to close for at least 30 days between August 25, 2005 and January 1, 2006 as result of damage from hurricanes in the Gulf of Mexico.

\*Note: The House bill included \$30 million for innovation and improvement. The Conference Report did not include funding for this category.

### Administration for Children and Families (HHS)

- Extends the funds available for the Social Services Block Grant until the end of fiscal year 2009.

#### Department of Housing and Urban Development (HUD)

- Office of the Inspector General: \$7,000,000

These funds are to be used for expenses related to Hurricanes Katrina and Rita and other hurricanes of 2005.

#### Department of Transportation

- Emergency Relief Highways: \$682,942,000 (House bill: \$0)
- Formula Grants: \$35 million

\*Note: This provision includes a rescission of \$682,942,000 in contract authority in order to pay for damaged roads (noted above).

### **Title III: Other Emergency Appropriations**

#### Department of Commerce

- National Oceanic and Atmospheric Administration (NOAA) Operations, Research and Facilities (non-Katrina): \$60,400,000

These funds are for individuals and fishermen that were impacted by the commercial fishing failure announced by the Secretary of Commerce on August 10, 2006, which includes the Klamath River region in California and Oregon.

#### Army Corps of Engineers

- Operation and Maintenance: \$3,000,000 (House bill: \$0)
- Flood Control and Emergencies: \$150,000,000 (House bill: \$0)

#### Department of the Interior

- Water and related resources: \$18,000,000 (House bill: \$0)
- Wildland Fire Management (BLM): \$100,000,000

These funds can only be used if the Secretary of the Interior notifies the Appropriations Committees on the need for these funds. The President's request did not include funds for this account.

- Resource Management (USFWS): \$7,398,000

These funds are for the detection of highly pathogenic avian influenza in wild birds.

- Surveys, Investigations, and Research (USGS): \$5,270,000

These funds are for the detection of highly pathogenic avian influenza in wild birds.

- Operation of the National Park System (NPS): \$525,000

These funds are for the detection of highly pathogenic avian influenza in wild birds.

#### Forest Service (USDA)

- Wildland Fire Management: \$400,000,000
- National Forest System: \$12,000,000 (House bill: \$0)
- Secure Rural Schools and Community Self Determination Act: \$425,000,000 (House bill: \$400,000,000)

This legislation was originally enacted in 2000.

#### Department of Health and Human Services (HHS)

- Mine Safety (CDC): \$13,000,000 (House bill: \$0)
- 9/11 Screenings: \$50,000,000 (House bill: \$0)
- \*Note: This provision was not in either the House or Senate bills
- Low Income Home Energy (LIHEAP) Assistance: \$400 million (\$200 designated as emergency)
- Public Health and Social Services Emergency Fund: \$625,000,000 (House bill: \$969,650,000)

These funds are to prepare for and respond to an influenza pandemic.

This provision allows the transfer of funds to other accounts at HHS for similar accounts.

- Covered Countermeasure Process Fund: \$25,000,000 (House bill: \$50,000,000)

These funds are for compensating individuals for injuries caused by the H5N1 vaccine. The President's request did not include funding for this account.

#### Department of Education

- Office of Safe and Drug Free School Zones: \$8,594,000,000 (House bill: \$0)

\*Note: Neither the House or Senate bills included funds for this program.

#### Legislative Branch

- Capitol Power Plant: \$50,000,000 (House bill: \$0)

These funds are for utility tunnel repairs and asbestos abatement.

#### Veterans Health Administration (VA)

- Medical Services: \$466,778,000 (house bill: \$414,982,000)

The President's request did not include funding for this account.

- Medical Administration: \$250,000,000 (House Bill: \$256,300,000)

The President's request did not include funding for this account.

- Medical Facilities: \$595,000,000

- Medical and Prosthetic Research: \$32,500,000 (House bill: \$35,000,000)

These funds shall be used for research relating to Operation Iraqi Freedom / Enduring Freedom survivors.

The President's request did not include funding for this account.

#### Departmental Administration (VA)

- General Operating Expenses: \$83,200,000 (House bill: \$62,000,000)

\$1,250,000 shall be used for digitization of records and \$60,750,000 shall be used for hiring and training new claims processing personnel

The President's request did not include funding for this account.

- Information Technology Systems: \$35,100,000 (House bill: \$35,000,000)

The President's request did not include funding for this account.

- Construction, Minor Projects: \$326,000,000 (House bill: \$260,000,000)

The President's request did not include funding for this account.

\*Note: The House bill included \$20 million for compensation and pensions (specifically to fund a pilot program for disability examinations) for the Veterans Benefits Administration. This provision was not included in the Conference Report. Additionally, the House bill included \$23,800,000 for major construction projects (not requested by the President) at the VA. These funds were not included in the Conference Report.

- Allows the Secretary of Veterans Affairs to convey to the State of Texas the parcel of real property comprising the location of Marlin, Texas.

## **Title IV: Other Matters**

### Farm Service Agency (USDA)

- Salaries and Expenses: \$37,500,000 (House bill: \$48,000,000)

### Additional Legislative Provisions (USDA)

- At least \$4,000,000 that was previously made available in FY 2007 for the FDA shall be for the FDA Office of Women's Health

### Department of Homeland Security

- U.S. Coast Guard, Retired Pay: \$30,000,000 (House bill: \$0)
- Coast Guard Patrol Boats: \$30,000,000 (House bill: \$0)
- Requires the Coast Guard to include criteria in a contract or subcontract (See section 4402 for a complete list of requirements) Additionally, prohibits \$650 million in Deepwater funds from being obligated until the Appropriations Committees approve a plan outlined in Section 4402 (c)(1).

### Additional Legislative Provisions

- Prohibits funding for the Office of National Drug Control Policy to be used for any reorganization of the offices without the approval of the Committee on Appropriations.
- Allows the National Archives to obligate funds for the Public Interest Declassification Board.
- Allows for \$7,300,000 to be transferred to the Indian Health Facilities account in the Continuing Appropriations Resolution, 2007 (PL 109-289).
- Requires a report to Congress from the Secretary of Treasury on the names of companies that are known to conduct business operations in Sudan.
- Requires \$13,000,000 from the Continuing Appropriations Resolution, 2007 (PL 109-289) to be used for Save America's Treasures.

#### National Institutes of Health (HHS)

- Transfers \$49,500,000 in the Continuing Appropriations Resolution, 2007 (PL 109-289) from the National Institute of Allergy and Infectious Diseases to the Public Health and Social Services Emergency Fund.
- Provides \$9,666,000 from PL 109-289 to the Women's Bureau.

#### Payments to Widows and Heirs of Deceased Members of Congress (Leg. Branch)

- Gloria W. Norwood: \$165,200

National Council on Disability: \$300,000 (House bill: \$0)

#### International Commissions (DOS)

The House included \$10 million for the International Boundary and Water Commission, United States and Mexico Construction. This provision was not included in the Conference Report.

#### Department of Housing and Urban Development

- Office of Federal Housing Enterprise Oversight: \$6,150,000 (House bill: \$0)

\*Note: This provision also includes a \$6,150,000 offset.

#### Department of Transportation

- Allows funds appropriated to the DOT to be expended to grant authority to a Mexican motor carrier to operate beyond U.S. municipalities and commercial

zones on the U.S.–Mexican border as long as it is first tested in a pilot program, the program complies with PL 107-87, and comparable authority is provided to carriers within the U.S. to operate in Mexico.

## **Title V: Emergency Farm Relief**

- Crop Disaster Assistance: Provides “such sums as are necessary”
- Livestock Assistance (for losses between January 1, 2005 and February 28, 2007): Provides “such sums as are necessary”
- Emergency Conservation Program: \$20 million

These funds are used for cleanup and restoration of agriculture lands

- Dairy Assistance: \$20,000,000
- Emergency Grants to Low-Income Seasonal Farm workers: \$21,000,000
- Farm Service Agency, Salaries and Expenses: \$30,000,000

## **Title VI: SCHIP Shortfall**

- Provides “such sums as may be necessary, but not to exceed \$650,000,000 for fiscal year 2007” to provide additional allotments to remaining shortfall states.
- Provides authority to any State that is operating a Pharmacy Plus waiver, which would otherwise expire on June 20, 2007, to continue to operate the waiver through December 31, 2009.

\*Note: This provision was not in either the House or Senate bill and specifically impacts Wisconsin.

## **Title VII: Fair Minimum Wage and Tax Relief**

### **Minimum Wage**

The War Funding Supplemental includes the minimum wage bill accompanied by a final agreement for a tax relief package designed to offset the cost of the minimum wage increase on the business community.

The House and the Senate both passed legislation increasing the minimum wage by \$2.10, from \$5.15 to \$7.25. Unlike the House version, the Senate minimum wage bill incorporated \$12.2 billion of tax relief and revenue increases to soften the impact of the

minimum wage increase on small businesses. The House passed a \$1.3 billion small-business tax relief package as a stand-alone bill, H.R. 976, on February 16, 2007.

The final tax package included in the Conference Report for the supplemental spending bill includes \$4.84 billion in tax relief and \$4.9 billion in revenue increases.

### **Tax Relief**

- The final agreement extends the **Work Opportunity Tax Credit (WOTC)** through August, 31, 2011, and expands its coverage to include targeted groups of veterans, high-risk youth, and rural counties that are losing population. While the Senate-passed version extended WOTC through 2012, the House-passed version only extended it through 2008.

**JTC projected score:** The provision would cost approximately \$2.6 billion over 10 years.

- **Increases and extends expensing for small businesses.** The final tax package includes the House-passed extension and expansion of Section 179 expensing and the Senate-passed one-year extension of expanded Section 179 expensing for GO Zone property. Under current law, small businesses may expense up to \$112,000 of investments in depreciable assets. The deduction is currently phased out when investments exceed \$450,000 (indexed for inflation). After 2009, the deduction is set to decline to \$25,000 and the phase-out threshold is set to decline to \$200,000.

The Conference Report increases the deduction to \$125,000 and increases the phase-out threshold to \$500,000, indexes these amounts for inflation beginning in 2008 through the end of 2010, and extends the higher deduction and phase-out threshold through 2010.

Higher expensing limits for qualified Section 179 Gulf Opportunity Zone property would expire on December 31, 2007, under current law. The Conference Report extends this higher limit for another year (through December 31, 2008).

**JTC projected score:** These provisions lower revenue as compared to current law by \$70 million from 2007 to 2017.

*\*Note: The deduction was set at \$100,000 with the phase-out at \$400,000 in 2003. The deduction has increased to \$112,000 with a phase-out of \$450,000 in 2007 because of inflation.*

- **Prevents reduction in tax credit for Social Security taxes paid with respect to employee cash tips.** The final agreement includes the House-passed language. Under current law, a tax credit is provided to an employer for employer-paid FICA taxes for tips an employee receives that exceed the minimum wage. This provision applies only to tipped employees in the food service industry.

This provision calculates this tax credit based on the federal minimum wage as of January 1, 2007. The impact of this provision is to prevent the value of the tax credit from being reduced if the minimum wage increases.

**JTC projected score:** This provision is projected by the Joint Committee on Taxation as reducing federal revenues by \$457 million over 10 years when passed in conjunction with an increase in the minimum wage.

- **Family business tax simplification.** The measure allows a husband and wife joint venture to elect to not be treated as a partnership for tax purposes.

**JTC projected score:** This provision has a “negligible revenue effect” according to the Joint Committee on Taxation. (Section 6)

- **Includes House-passed language allowing individual and corporate taxpayers to claim the work opportunity tax credit and the credit for taxes paid for employee cash tips against the alternative minimum tax (AMT).** According to JTC projections, this provision lowers revenue as compared to current law by \$617 million from 2007 to 2017.
- **Extends the deadline (from 2008 to 2010) for placing in service certain low-income housing projects in areas affected by the 2005 Gulf Coast hurricanes.** Extending the sunset allows additional time for project developers to use the added credits Congress authorized in the GO Zone. If these projects are not placed in service by the end of 2008, the States may allocate them for other LIHTC projects, but are not required by federal law to reallocate them to the same project originally awarded the credits. The extension helps ensure that qualifying low-income housing is built as quickly as possible in the GO Zone. The House passed similar legislation, H.R. 1562, on March 27, 2007. JTC projects these provisions would cost \$237 million from 2007 to 2017.

## **S Corp Reforms**

The Conference Report includes several reforms of the rules governing S-Corps:

- **Capital Gain Not Treated as Passive Investment Income**  
An S corporation is subject to corporate-level tax, at the highest corporate tax rate, on its excessive net passive income if the corporation has (1) accumulated earnings and profits at the close of the taxable year and (2) has gross receipts more than 25 percent of which are passive investment income. In addition, an S corporation election is terminated whenever the S corporation has accumulated earnings and profits at the close of each of three consecutive taxable years and has gross receipts for each of those years more than 25 percent of which are passive investment income. H.R. 1591 eliminates gains from sales or exchanges of stock or securities as an item of passive investment income. This provision of H.R. 1591 applies to taxable years beginning after the date of enactment.

*\*Note: This provision is estimated to cost \$146 million over five years and \$361 million over ten years.*

➤ **Treatment of Bank Director Shares**

An S corporation may have no more than 100 shareholders and may have only one outstanding class of stock. An S corporation has one class of stock if all outstanding shares of stock confer identical rights to distribution and liquidation proceeds. National and state banking laws require that a director of a bank own stock. In some cases, a bank enters into an agreement under which the bank (or holding company) will reacquire the stock upon the director's ceasing to hold the office of director, at the price paid by the director for the stock. H.R. 1591 clarifies that qualifying director shares are not treated as a second class of stock for purposes of subchapter S. This provision of H.R. 1591 applies to taxable years beginning after December 31, 2006.

*\*Note: This provision is estimated to cost \$87 million over five years and \$201 million over ten years.*

➤ **Treatment of Banks Changing from Reserve Method of Accounting**

A financial institution which uses the reserve method of accounting for bad debts may not elect to be an S corporation. If a financial institution changes from the reserve method of accounting, there is taken into account for the taxable year of the change adjustments to taxable income necessary to prevent amounts from being duplicated or omitted by reason of change. These adjustments are subject two levels of taxation. H.R. 1591 allows a bank which changes from the reserve method of accounting for bad debts to elect to take into account all adjustments the year before it changes to an S corporation. Adjustments taken into account the year before the corporation changes to an S corporation are only subject to corporate-level taxation. This provision of H.R. 1591 applies to taxable years beginning after December 31, 2006.

*\*Note: This provision is estimated to cost \$83 million over five years and \$199 million over ten years.*

➤ **Treatment of Disposition of an Interest in Qualified Subchapter S Subsidiary**

If a subsidiary of an S corporation ceases to be a qualified subchapter S subsidiary ("QSub") the subsidiary is treated as a new corporation acquiring all its assets immediately before such cessation from the parent S corporation in exchange for its stock. H.R. 1591 provides that where the disposition of stock of a QSub results in the termination of the QSub election, the disposition is treated as a disposition of an undivided interest in the assets of the QSub (based on the percentage of the stock disposed of) followed by a deemed transfer to the QSub. This provision of H.R. 1591 applies to taxable years beginning after December 31, 2006.

*\*Note: This provision is estimated to cost \$19 million over five years and \$46 million over ten years.*

➤ **Elimination of Earnings and Profits Attributable to Pre-1983 Years**

This provision of H.R. 1591 provides in the case of any corporation which was not an S corporation for its first taxable year beginning after December 31, 1996, the accumulated earnings and profits of the corporation as of the beginning of the first taxable year beginning after the date of the enactment of this provision is reduced by the accumulated earnings and profits (if any) accumulated in a taxable year beginning before January 1, 1983, for which the corporation was an electing small business corporation under subchapter S. This provision of H.R. 1591 applies to taxable years beginning after the date of enactment.

*\*Note: This provision is estimated to cost \$13 million over five years and \$21 million over ten years.*

➤ **Deductibility of interest expense on indebtedness incurred by an acquiring business trust to acquire S corporation stock**

This provision of H.R. 1591 enables an electing small business trust (“ESBT”) to deduct interest expense it incurs when it borrows funds to purchase S corporation stock. All other taxpayers and qualified S corporation trusts are currently entitled to deduct interest incurred to acquire S corporation stock. The current disallowance of the deduction for such interest by an ESBT is reversed and given consistent treatment with other S corporation shareholders. This provision of H.R. 1591 applies to taxable years beginning after December 31, 2006.

*\*Note: This provision is estimated to cost \$18 million over five years and \$64 million over ten years.*

## **Revenue Raisers**

The Conference Report includes a number of provisions to offset the cost tax relief. In total, the provisions raise \$4.9 billion, which is \$55 million more than the overall cost of the bill.

- **Increases the age of minor children whose unearned income is taxed as if parent’s income.** Unlike the House-passed version which was specific to capital gains and dividends, the conference report incorporates the Senate-passed version that raises the age of dependents whose unearned income is taxed as if it is the parent’s income. The intent of this provision is to prevent wealthy parents from avoiding certain taxes by transferring assets to a dependent child.

**JTC projected score:** This provision increases revenue by \$1.4 billion from 2007 to 2017.

- Extends from 18 to 36 months the amount of time that interest and penalties accrue for unpaid taxes if the IRS has not sent notice of the taxpayer's liability. The House-passed version extended it to 22 months.

**JTC projected score:** This provision increases revenue by \$2.4 billion from 2007 to 2017.

- Includes Senate-passed provision creating a new penalty for filing erroneous income tax refund claims.

**JTC projected score:** This provision increases revenue by \$98 million from 2007 to 2017.

- Includes Senate-passed provision extending and increasing penalties on tax preparers for understating taxpayer liability for all types of tax returns, as opposed to only income tax returns.

**JTC projected score:** This provision increases revenue by \$82 million from 2007 to 2017.

- Includes House-passed provision modifying the collection due process procedures for employment tax liabilities.

**JTC projected score:** This provision increases revenue by \$288 million from 2007 to 2017.

- Permanently extends existing IRS user fees. The fees are currently scheduled to be terminated after September 30, 2014.

**JTC projected score:** This provision increases revenue by \$90 million from 2007 to 2017.

- Increases penalties for sending bad checks and money orders to the IRS. The House passed this provision on April 17, 2007, as part of the Taxpayer Protection Act, H.R. 1677.

**JTC projected score:** This provision increases revenue by \$22 million from 2007 to 2017.

### **Staff Contact**

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